

## **The complaint**

Mr T complains about how The National Farmers' Union Mutual Insurance Society Limited (NFU) handled a claim he made on his motor insurance policy after he was involved in a road traffic accident.

## **What happened**

Mr T held a motor insurance policy with NFU. When he was involved in a road traffic accident he made a claim for the damage to his vehicle.

NFU accepted the claim and ultimately decided to write Mr T's vehicle off. Mr T complains about that claim. In summary he says NFU were going to put an unsafe car back on the road, and when they did write it off, the amount they've paid him isn't fair.

NFU acknowledges the claim could have been handled better and offered £200 compensation in total for various issues. It maintains its settlement offer is fair.

Mr T remained unhappy and brought his complaint to us. In presenting its evidence to us, NFU said it wanted to increase the compensation by £150, taking the total amount to £350. One of our Investigators thought that offer was fair compensation for the distress and inconvenience caused throughout the claim. He thought the settlement offer was fair based on what he'd seen and didn't recommend NFU do anything more in that respect.

Mr T didn't agree and asked for an Ombudsman's decision, he maintains the settlement offer isn't fair.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, like our Investigator, I don't require NFU to increase its settlement of the claim. And I'm satisfied that with the increased offer of £150 compensation, the overall compensation offered is fair and reasonable in the circumstances of this complaint. I'll explain why. While I've considered everything that's been raised, in line with our role as an informal service, I've only commented on the points I feel most relevant.

- Mr T's policy is a market value policy. This means the most NFU will pay for any claim is the vehicle's market value. It defines that market value in the policy as "*The amount it would cost to replace the CAR (or TRAILER) with one of the same make, model, specification, age and condition.*" This isn't the amount listed on the schedule, which is just an estimate of the car's value at the point the policy is taken out.
- Determining the market value of any vehicle isn't an exact science. Our usual approach is to use a number of recognised valuation guides as a starting point. But here, none of those guides returned a value. NFU valued Mr T's car at £13,000 based on a number of adverts. I understand Mr T doesn't think that value is fair and

has pointed to fact his car contains original parts, but I'm satisfied based on the evidence provided that that's a reasonable figure. So, I don't require it to increase its offer.

- NFU deducted 25% of that value from its settlement because Mr T wanted to keep his vehicle after the incident. In principle it's fair that an insurer deducts an amount from the total loss settlement when the policyholder wants to keep their vehicle. This is because usually, once the car is written off, it become the insurer's property, they then sell that on to a salvage agent. So, where the policy holder decides to keep their car, the insurer doesn't get this, so it's fair that loss is passed on to the consumer. I can see there were some discussions around what the salvage deduction would be, and can understand why this would have frustrated Mr T. But I'm satisfied NFU has evidenced it would have received 25% from its salvage agent for the salvage of Mr T's car. So, I'm satisfied it's fair that NFU deducted that same percentage from Mr T's settlement.
- I understand Mr T wasn't happy with the claim process as a whole and thinks were it not for his involvement the car would have been repaired and put back on the road in an unsafe condition. But I've not seen that this was the case. Its usual that an insurer will look to try and repair a car if it's possible and economical to do so. Initially this was the route NFU were looking to take. But it had concerns around whether this was feasible, and ultimately decided to write the vehicle off. From the reports I've seen, this was a reasonable decision.
- Overall Mr T has been offered £350 compensation. There was miscommunication, there was conflicting information around what report was needed and the salvage deduction. All this would have undoubtedly caused Mr T distress and inconvenience. I'm satisfied £350 is fair compensation for that.

### **Putting things right**

If it's not already done so, NFU should pay Mr T the additional £150 it offered to pay when it sent us its evidence.

### **My final decision**

For the reasons set out above, I uphold this complaint and require The National Farmers' Union Mutual Insurance Society Limited to:

- Pay Mr T an additional £150 compensation, taking the total compensation paid to £350.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 24 May 2024.

Joe Thornley  
**Ombudsman**